

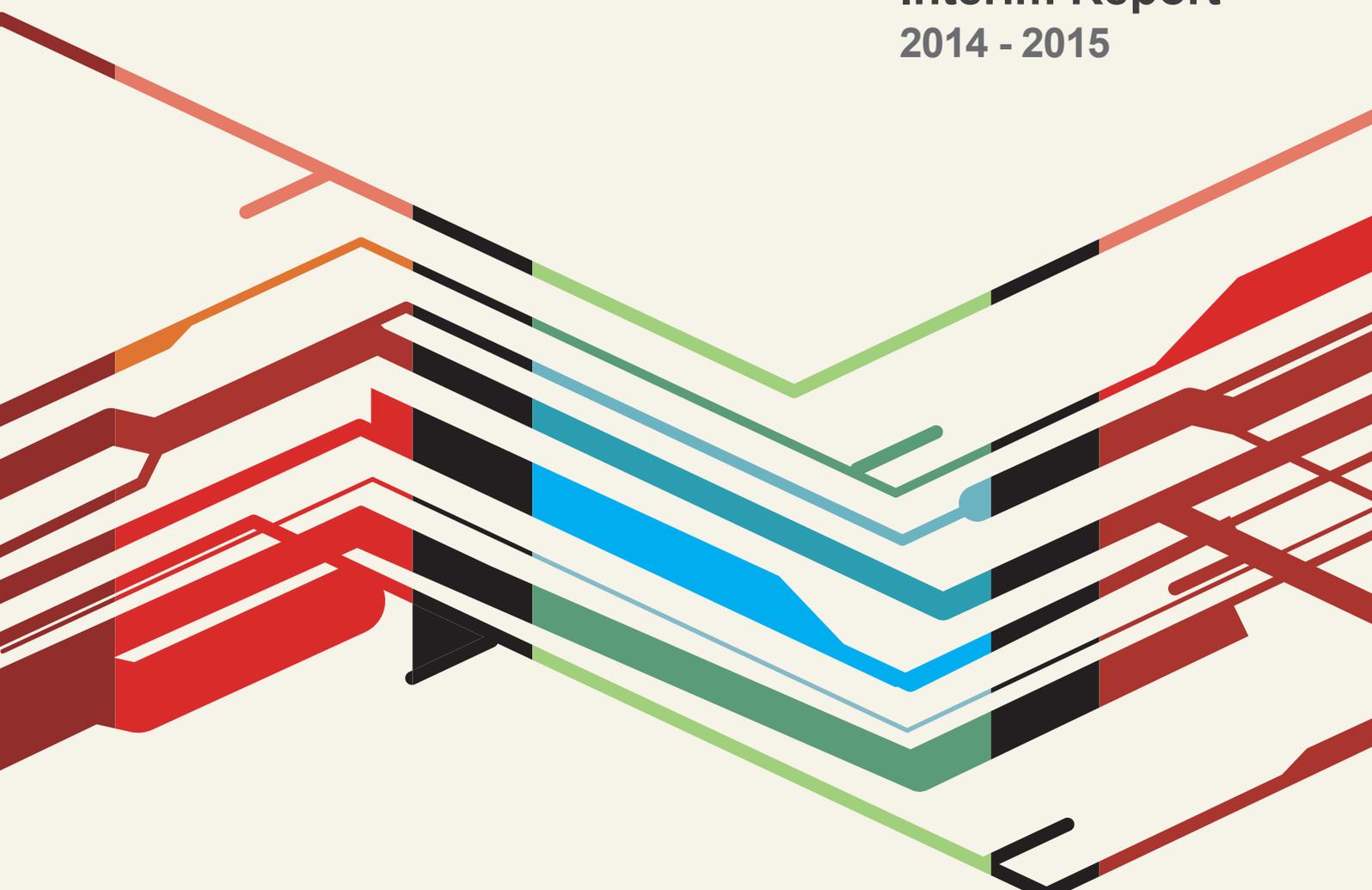


DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Stock Code : 0567

Interim Report
2014 - 2015



UNAUDITED INTERIM REPORT

The Board of Directors (the "Board") of Daisho Microline Holdings Limited (the "Company") presents the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2014 as follows. The interim report has not been reviewed by the external auditors but it has been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

	Notes	(Unaudited)	
		Six months ended 30 September	
		2014	2013
		HK\$'000	HK\$'000
Turnover	3	123,223	128,793
Cost of sales		<u>(114,651)</u>	<u>(122,970)</u>
Gross profit		8,572	5,823
Other revenue	4	80,512	5,847
Selling and distribution expenses		(3,650)	(5,291)
Administrative expenses		(15,544)	(13,323)
Other expenses		(13,811)	(2,045)
Fair value gains/(losses), net on:			
Derivative financial instruments		–	95
Other financial assets at fair value through profit or loss		<u>454</u>	<u>13</u>
Profit/(Loss) from operations		56,533	(8,881)
Finance costs	5	(2,494)	(2,538)
Share of profit of a joint venture		<u>52</u>	<u>225</u>
Profit/(Loss) before taxation	5	54,091	(11,194)
Income tax	6	<u>(3,411)</u>	<u>–</u>
Profit/(Loss) for the period		<u><u>50,680</u></u>	<u><u>(11,194)</u></u>
Profit/(Loss) for the period attributable to:			
Owners of the Company		<u><u>50,680</u></u>	<u><u>(11,194)</u></u>
Earnings/(Loss) per share			
– Basic and diluted	8	<u><u>HK10.55 cents</u></u>	<u><u>HK(2.33) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Profit/(Loss) for the period	50,680	(11,194)
Other comprehensive income for the period (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	<u>854</u>	<u>7,842</u>
Other comprehensive income for the period, net of tax	<u>854</u>	<u>7,842</u>
Total comprehensive profit/(loss) for the period	<u>51,534</u>	<u>(3,352)</u>
Total comprehensive profit/(loss) for the period attributable to:		
Owners of the Company	<u>51,534</u>	<u>(3,352)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	89,688	79,313
Prepaid land lease payments		14,277	14,413
Deposits paid for acquisition of property, plant and equipment		8,800	897
Available-for-sale investment		14,781	19,281
		<u>127,546</u>	<u>113,904</u>
CURRENT ASSETS			
Inventories		28,604	26,585
Trade receivables	10	38,872	35,847
Other financial assets at fair value through profit or loss	11	9,041	8,624
Other receivables, deposits and prepayments	12	39,299	50,749
Insurance compensation receivable	13	60,653	–
Amount receivable from a joint venture	16	50,544	–
Tax recoverable		–	211
Pledged bank deposits	14	279,508	269,342
Cash and cash equivalents	15	43,351	70,786
Non-current asset classified as held for sale	16	–	54,634
		<u>549,872</u>	<u>516,778</u>
CURRENT LIABILITIES			
Trade payables	17	50,480	57,764
Other payables and accruals		17,839	24,380
Provision	18	4,468	4,468
Tax payable		3,200	–
Interest-bearing bank borrowings	19	243,151	237,324
		<u>319,138</u>	<u>323,936</u>
NET CURRENT ASSETS		<u>230,734</u>	<u>192,842</u>
NET ASSETS		<u>358,280</u>	<u>306,746</u>
CAPITAL AND RESERVES			
Share capital		48,024	48,024
Reserves		310,256	258,722
Total Equity		<u>358,280</u>	<u>306,746</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	(Unaudited)					
	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014	48,024	91,483*	9,379*	135,594*	22,266*	306,746
Profit for the period	–	–	–	–	50,680	50,680
Exchange differences on translation of function currency to presentation currency	–	–	–	854	–	854
Total comprehensive profit for the period	–	–	–	854	50,680	51,534
At 30 September 2014	<u>48,024</u>	<u>91,483*</u>	<u>9,379*</u>	<u>136,448*</u>	<u>72,946*</u>	<u>358,280</u>
At 1 April 2013	48,024	91,483	9,379	127,609	59,811	336,306
Loss for the period	–	–	–	–	(11,194)	(11,194)
Exchange differences on translation of function currency to presentation currency	–	–	–	7,842	–	7,842
Total comprehensive loss for the period	–	–	–	7,842	(11,194)	(3,352)
At 30 September 2013	<u>48,024</u>	<u>91,483</u>	<u>9,379</u>	<u>135,451</u>	<u>48,617</u>	<u>332,954</u>

* These reserve accounts comprise the consolidated reserves of HK\$310,256,000 (31 March 2014: HK\$258,722,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	54,091	(11,194)
Adjustments for:		
Interest income	(4,520)	(3,494)
Dividend income from listed equity investments	(197)	(416)
Loss on disposal of property, plant & equipment	850	538
Gain on disposal of interests in a joint venture	(807)	–
Fair value gains, net on:		
Derivative financial instruments – transactions not qualifying as hedges	–	(95)
Other financial assets at fair value through profit or loss	(454)	(13)
Depreciation	6,520	7,943
Impairment on trade receivables, net	214	–
Impairment loss on available-for-sale investment	4,500	–
Write down/(Reversal of write down) of inventories	(280)	1,700
Amortisation of prepaid land lease payments	161	167
Finance costs	2,494	2,538
Share of profit of a joint venture	(52)	(225)
	62,520	(2,551)
(Increase)/decrease in inventories	(1,688)	506
Increase in trade receivables	(3,233)	(15,607)
Decrease in other financial assets at fair value through profit or loss	42	8,012
Decrease/(Increase) in other receivables, deposits and prepayment	11,529	(21,988)
Increase in insurance compensation receivable	(60,653)	–
Increase/(decrease) in trade payables	(7,353)	13,902
Increase/(decrease) in other payables & accruals	(6,547)	9,345
Cash used in operations	(5,383)	(8,381)
Interest received	4,520	3,494
Net cash used in operating activities	(863)	(4,887)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2014

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Dividend income from listed equity investments	197	416
Payment for the purchase of property, plant & equipment	(25,557)	(11,274)
Proceeds from disposal of interests in a joint venture	5,054	–
Increase in pledged bank balances	(9,635)	(77,282)
	<u>(29,941)</u>	<u>(88,140)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Repayment of trust receipt loans	–	(3,845)
New bank loans, net	5,828	43,681
Interest paid	(2,494)	(2,538)
	<u>3,334</u>	<u>37,298</u>
Net cash generated from financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,470)	(55,729)
Cash and cash equivalents at beginning of period	70,786	109,482
Effect of foreign exchange rate changes, net	35	4,857
	<u>43,351</u>	<u>58,610</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	43,351	58,610
ANALYSIS OF BALANCES OF CASH & CASH EQUIVALENTS		
Cash and bank balances	<u>43,351</u>	<u>58,610</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Interim Report of the Company for the six months ended 30 September 2014 (the “Interim Report”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the Interim Report are the same as those adopted in preparing the annual audited financial statements for the year ended 31 March 2014, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations relevant to the Group as detailed in note 2 below (hereinafter collectively referred to as the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 April 2014.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new HKFRSs for the first time for the Interim Report.

Amendments to HKFRS10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of Derivative and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of these new HKFRSs did not have significant impact on the result or financial position of the Group for the current or prior accounting period.

3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group has only one reportable segment, which is the manufacturing and trading of printed circuit boards. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decisions about resources allocation and performance assessment. Revenue represents the net invoiced value of goods sold, after allowances for goods returns, trade discounts and valued added tax.

Geographical information

	(Unaudited)	
	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
(a) Revenue from external customers		
PRC	29,459	43,934
Hong Kong (place of domicile)	29,215	25,379
United States of America	28,271	21,567
Japan	21,924	19,598
Europe	11,728	13,974
Other countries	2,626	4,341
	<u>123,223</u>	<u>128,793</u>

The revenue information above is based on the locations of the customers.

	(Unaudited)	(Audited)
	30 September 2014 HK\$'000	31 March 2014 HK\$'000
	(b) Non-current assets:	
PRC	112,496	94,171
Hong Kong (place of domicile)	269	452
	<u>112,765</u>	<u>94,623</u>

The non-current assets information above is based on the location of assets and excludes financial instruments.

4. OTHER REVENUE

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Insurance compensation (note 13)	73,289	–
Bank interest income	4,520	3,494
Dividend income from listed equity investments	197	416
Gain on disposal of scrap materials	1,256	1,785
Gain on disposal of interests in a joint venture (note 16)	807	–
Others	443	152
	<u>80,512</u>	<u>5,847</u>

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on:		
Bank loans wholly repayable within five years	<u>2,494</u>	<u>2,538</u>
(b) Other items:		
Depreciation	6,520	7,943
Cost of inventories sold	114,931	121,270
Write down/(Reversal of write down) of inventories	(280)	1,700
Impairment loss on available-for-sale investment*	4,500	–
Staff costs (including directors' remuneration)	25,786	26,564
Foreign exchange differences, net	<u>1</u>	<u>2,295</u>

* The available-for-sale investment represents the Group's unlisted investment in Daisho Denshi Co., Ltd., a substantial shareholder of the Company, in Japan. An impairment loss on the available-for-sale investment is considered necessary in light of the unexpected expansion of quantitative easing programme as recently announced by the Bank of Japan, which implies worsening economic environment in Japan and depreciation of Japanese Yen currency.

6. INCOME TAX

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Current – Hong Kong		
Underprovision in prior year	211	–
Current – PRC		
Charge for the period	<u>3,200</u>	<u>–</u>
Total tax charge for the period	<u><u>3,411</u></u>	<u><u>–</u></u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during both periods.

PRC profits tax has been provided at the rate of 25% on the estimated assessable profits arising in PRC. In the prior period, no provision for PRC profits tax was made as the Group did not generate any assessable profits arising in PRC.

Deferred tax assets have not been recognised in respect of certain tax losses as they have arisen in subsidiaries that have been loss-making for some time or it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the year ending 31 March 2015 to the shareholders (2014: Nil).

8. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period and is calculated as follows:

- (i) Profit/(Loss) attributable to owners of the Company

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Profit/(Loss) used in calculating basic earnings/(loss) per share (profit/(loss) attributable to owners of the Company)	<u>50,680</u>	<u>(11,194)</u>

- (ii) Weighted average number of ordinary shares

	Number of Shares	
	2014	2013
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>480,243,785</u>	<u>480,243,785</u>

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares in issue during both periods. The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share during the periods ended 30 September 2014 and 2013.

9. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Purchase of property, plant and equipment	<u>17,655</u>	<u>6,199</u>

10. TRADE RECEIVABLES

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Trade receivables	40,769	37,530
Impairment	<u>(1,897)</u>	<u>(1,683)</u>
	<u><u>38,872</u></u>	<u><u>35,847</u></u>

The Group has a policy which allows an average credit period of 60 days to its customers. An aged analysis of the trade receivables as at the period end, based on the payment due date, is as follows:

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Current to 1 month	37,245	34,587
1 to 2 months	1,589	196
2 to 3 months	38	–
Over 3 months	<u>1,897</u>	<u>2,747</u>
	<u><u>40,769</u></u>	<u><u>37,530</u></u>

11. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Hong Kong listed equity investments, at market value	6,618	6,541
Equity investments listed elsewhere, at market value	<u>2,423</u>	<u>2,083</u>
	<u><u>9,041</u></u>	<u><u>8,624</u></u>

The above investments as at 30 September 2014 and 31 March 2014 were classified as held for trading.

All of the Hong Kong listed equity investments amounting to HKD6,618,000 (31 March 2014: HK\$6,541,000) have been pledged to secure certain of the Group's bank borrowings (note 19).

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Prepayments	638	6,578
Deposits and other receivables	24,492	31,439
Bank interest receivable on time deposits	8,278	7,159
Value added tax recoverable	5,891	5,573
	<u>39,299</u>	<u>50,749</u>

13. INSURANCE COMPENSATION RECEIVABLE

The relevant insurance company has finally issued a formal insurance compensation notice on 5 November 2014 after a lengthy negotiation with the insurance brokers as appointed by the Group to settle the Group's insurance claims for both the loss of assets and the loss of profits due to business interruption relating to the fire accident occurred in the principal production base of the Group in Huizhou, the People's Republic of China on 24 January 2013.

The total insurance compensation amount (net of deductibles) as stated in the compensation notice of about RMB58 million (equivalent to about HK\$73,289,000) (note 4) was receivable in cash and it had been recognised as other revenue for the six months ended 30 September 2014. After having received in advance the insurance compensation amount of RMB10 million (equivalent to about HK\$12.6 million) from the relevant insurance company in August 2013, the Group recorded a balance of the insurance compensation receivable of about RMB48 million (equivalent to about HK\$60,653,000) at 30 September 2014.

14. PLEDGED BANK DEPOSITS

The bank deposits were placed with banks in the PRC and have been pledged to banks to secure banking facilities granted to the Group. The bank deposits amounting to approximately HK\$279,508,000 (31 March 2014: HK\$269,342,000) have been pledged to secure short-term bank loans and are therefore classified as current assets.

The interest rates on the pledged bank deposits range from 3.30% to 3.75% (31 March 2014: 3.30% to 3.75%) per annum.

15. CASH AND CASH EQUIVALENTS

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Cash and cash equivalents	<u>43,351</u>	<u>70,786</u>

Bank balances carry interest at market rates ranging from 0.52% to 1.31% (31 March 2014: 0.52% to 1.31%) per annum.

As at 30 September 2014, the balances that were placed with banks in the PRC amounting HK\$18,469,000 (31 March 2014: HK\$37,234,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

16. AMOUNT RECEIVABLE FROM A JOINT VENTURE

An equity transfer and shareholder's loan repayment agreement was entered into by the Group on 2 July 2014 to dispose of the Group's entire interest in the joint venture to a third party and to obtain the repayment of the shareholder's loan as previously injected by the Group to the joint venture at a total consideration of RMB44,000,000 (equivalent to approximately HK\$55,598,000). The investment in the joint venture with an aggregate carrying amount of HK\$54,634,000 was transferred to non-current asset classified as held for sale as at 31 March 2014.

The consideration for the transfer of the Group's entire interest in the joint venture of RMB4,000,000 (equivalent to approximately HK\$5,054,000) was received on 1 September 2014 and the repayment of the shareholder's loan by the joint venture of RMB40,000,000 (equivalent to approximately HK\$50,544,000) was recorded as amount receivable from a joint venture as at 30 September 2014.

The gain on disposal of interests in a joint venture of HK\$807,000 was recognised as other revenue for the six months ended 30 September 2014.

17. TRADE PAYABLES

An aged analysis of the trade payables as at the period end, based on the payment due date, is as follows:

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Current to 1 month	36,153	32,529
1 to 2 months	2,481	6,703
2 to 3 months	2,608	6,103
Over 3 months	<u>9,238</u>	<u>12,429</u>
	<u>50,480</u>	<u>57,764</u>

The trade payables are non interest-bearing and are normally settled on 90-day terms.

18. PROVISION

Provision for tax payable and tax penalty

With respect to the violation of PRC Customs regulations by a wholly owned subsidiary of the Company, as more fully explained in note 42 of the audited financial statements of the Company for the year ended 31 March 2014, a provision totaling HK\$4,468,000 was made for the tax payable of HK\$2,234,000 and the tax penalty of HK\$2,234,000.

19. INTEREST-BEARING BANK BORROWINGS

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Secured bank loans repayable within one year or on demand	<u>243,151</u>	<u>237,324</u>

At the period end, bank loans equivalent to HK\$144,452,000 (31 March 2014: HK\$92,324,000) were subjected to floating interest rates.

At the period end, except for certain bank loans denominated in United States dollars equivalent to HK\$87,752,000 (31 March 2014: HK\$87,824,000), all the bank loans were denominated in Hong Kong dollars.

At the period end, certain of the Group's bank loans are secured by:

- (i) pledge of the Group's bank deposits amounting to HK\$279,508,000 (31 March 2014: HK\$269,342,000); and
- (ii) pledge of all the Group's Hong Kong listed equity investments amounting to HK\$6,618,000 (31 March 2014: HK\$6,541,000).

20. CAPITAL COMMITMENTS

At the period end, capital commitments not provided for in the consolidated financial statements were as follows:

	(Unaudited) 30 September 2014 HK\$'000	(Audited) 31 March 2014 HK\$'000
Contracted but not provided for in respect of – plant and machinery	<u>2,444</u>	<u>4,328</u>

21. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with a related party during the period:

	(Unaudited)	
	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Sale of printed circuit boards to a related party	<u>21,850</u>	<u>19,539</u>

Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company who has 10.41% equity interest in the Company and also a company in which the Group has 7.46% equity interest. The products sold were unique and tailor-made according to the customer's requirements and specifications. The selling price of the printed circuit boards were determined based on the complexity of the specifications and were agreed between the respective parties.

(b) Compensation of key management personnel of the Group:

Remuneration for the key management personnel of the Group representing amounts paid to the Company's directors.

	(Unaudited)	
	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Short term employee benefits	3,883	3,692
Post-employment benefits	<u>178</u>	<u>169</u>
	<u>4,061</u>	<u>3,861</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's revenue for the current period was about HK\$123 million, down 4% from last corresponding period. Contrary to the net loss of about HK\$11 million for last corresponding period, the Group's net profit for the current period was about HK\$51 million, mainly due to the recognition of the total insurance compensation as other income of about HK\$73.3 million for the current period. The insurance compensation was payable by the relevant insurance company in cash to settle the Group's insurance claims relating to the fire accident occurred in the principal production base of the Group in Huizhou, PRC on 24 January 2013.

The Group's gross profit margin increased from about 4.5% for last corresponding period to about 7.0% for the current period. The improvement in the Group's operating results for the current period was mainly resulted from the implementation of various cost-savings measures and also the decrease in depreciation charge consequential to the recognition of impairment provision on the Group's plant and equipment for the year ended 31 March 2014.

An equity transfer and shareholder's loan repayment agreement was entered into by the Group on 2 July 2014 to dispose of the Group's entire interest in the joint venture to a third party and to obtain the repayment of the shareholder's loan as previously injected by the Group to the joint venture at a total consideration of approximately HK\$55,598,000. As a result, the gain on disposal of interests in a joint venture of HK\$807,000 was recognised as other revenue for the current period.

The Group's gearing ratios (defined as interest-bearing bank borrowings divided by total equity) at 30 September 2014 was 68% (31 March 2014: 77%). The Group's current ratio at 30 September 2014 and 31 March 2014 was 1.72 times and 1.60 times respectively. The Group's PCB operations had a net cash outflow of about HK\$1 million during the current period ended 30 September 2014 (2013: HK\$5 million).

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing bank borrowings as at 30 September 2014 and 31 March 2014 are detailed in note 19.

As at 30 September 2014, the Group's total cash and bank balances were approximately HK\$323 million (31 March 2014: HK\$340 million) and the Group's total interest-bearing bank borrowings amounting to approximately HK\$243 million (31 March 2014: HK\$237 million). Therefore, the Group had a net cash balance of approximately HK\$80 million (31 March 2014: HK\$103 million). Besides, the total credit facilities available to the Group were approximately HK\$301 million (31 March 2014: HK\$271 million) and, therefore, the unutilized credit facilities were approximately HK\$58 million (31 March 2014: HK\$34 million). Accordingly, the Group is capable of financing its operation by its own internal resources and available banking facilities.

The Group received in cash the repayment of the shareholder's loan of approximately HK\$50.5 million from the joint venture and the balance of the insurance compensation amount of about HK\$60.7 million after 30 September 2014, and these proceeds will further strengthen the Group's liquidity position.

Most of the Group's bank balances were denominated in RMB while all of the Group's borrowings were denominated in either US\$ or HK\$. In order to benefit from the interest rate differential between RMB and US\$ or HK\$, the Group pledged the RMB bank balances with banks in Mainland China as security for the Group's borrowings. Accordingly, the Group's pledged bank balance along with the Group's borrowings increased during the current period.

As at 30 September 2014, the Group's assets and liabilities were mostly denominated in either HK\$, US\$ or RMB. Because the exchange rate for US\$ against HK\$ is relatively stable in Hong Kong for the moment, the Group has not adopted any hedging tool against its assets or liabilities denominated in US\$. Also because the Group's subsidiary in Mainland China had net assets as at 30 September 2014 and RMB is expected to appreciate gradually, there is only a remote possibility that the Group will suffer exchange loss on the translation of these net assets and so the Group has not adopted any hedging tool against these net assets denominated in RMB.

Contingent Liabilities

As more fully explained in note 42 of the audited financial statements of the Company for the year ended 31 March 2014, a wholly-owned subsidiary of the Company was facing a charge for the violation of PRC Customs regulations. A provision for the estimated tax payable and tax penalty totaling HK\$4,468,000 had been made at 30 September 2014. Because the PRC court has not yet made a final ruling up to the date of this announcement, the outcome of the charge against the wholly-owned subsidiary of the Company is still uncertain. However, based on the currently available information, no further provision for the tax payable and tax penalty is considered necessary.

The Company has provided certain banks with corporate guarantees of HK\$274 million (31 March 2014: HK\$244 million) to secure banking facilities granted to subsidiaries. At 30 September 2014, the facilities were utilised to the extent of HK\$243,151,000 (31 March 2014: HK\$232,824,000).

Employee Benefits

As at 30 September 2014, the Group had 699 (31 March 2014: 689) employees, including directors, working mainly in Mainland China. For the period ended 30 September 2014, the Group's total staff costs including directors' remuneration were HK\$25,786,000 (2013: HK\$26,564,000).

Outlook

In light of the sluggish global economic environment at present, the Group expects that the momentum for revenue growth in the second half of the current financial year will remain weak and it may take some time for certain customers of the Group, who have transferred some purchase orders for PCB to other PCB suppliers during the current period since the fire accident on 24 January 2013, to feel comfortable again to place with the Group purchase orders with amount comparable to the level before the fire accident. In order to improve its operating results, the Group is currently canvassing business from new customers and continuing the implementation of new cost savings measures.

The Group is aware that certain significant economic issues such as the weakening of the global economic climate may affect the operating environment of the Group and it has adopted various means to alleviate the impact. Although the road ahead may be full of challenges, the Group as equipped with healthy financial position and ample experience in the manufacture of highly delicate PCB is ready to confront these challenges.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the 6 months ended 30 September 2014, except for the following deviations:

Chairman and Chief Executive Officer

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Non-executive directors

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term subject to re-election.

Dr. Li Chi Kwong does not have a specific term of appointment, but is subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

Re-election of directors

Under the Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company is subject to a private act known as "The Juko Laboratories Holdings Limited Company Act 1990" which is an Act of the Company's former name of Juko Laboratories Holdings Limited when it was first established. The Chairman of the Company is not required to be subject to rotation in accordance with the Bye-Laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company has agreed to retire on a voluntary basis at least once every three years. The last time Mr. Chan Sik Ming, Harry retired on a voluntary basis and stood for re-election was in the annual general meeting held on 26 August 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Beneficiary of a trust	Total number of shares held	Percentage of the Company's issued share capital
Chan Sik Ming, Harry	43,480,001	100,292,415*	143,772,416	29.94
Au-Yeung Wai Hung	1,300,000	–	1,300,000	0.27

* Chan Sik Ming, Harry and his family are the objects of a discretionary trust, which has appointed Earnwell (PTC) Limited as its trustee. At 30 September 2014, Earnwell (PTC) Limited held 100,292,415 shares representing approximately 20.88% of the issued share capital of the Company.

Save as disclosed above, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Earnwell (PTC) Limited	Trustee	100,292,415	20.88
Daisho Denshi Co., Ltd.	Directly beneficially owned	50,000,000	10.41

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the current period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the 6 months ended 30 September 2014.

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 21 November 2014

As at the date of this Interim Report, the Board comprises the following members:

Executive directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
AU-YEUNG Wai Hung
Yoshio HANDA
Shozo SUGAYA

Independent non-executive directors:

LI Chi Kwong
YEUNG Chi Shing, Bret
CHONG Chi Wah